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C O N F I D E N T I A L SECTION 01 OF 03 PANAMA 001818

SIPDIS

DEPARTMENT FOR WHA/CEN
SOUTHCOS ALSO FOR POLAD

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TAGS: [PGOV](#) [PREL](#) [PM](#) [POL](#) [FOREIGN](#) [POL](#)

SUBJECT: PANAMA FOREIGN MINISTRY ADVISOR NILS CASTRO ON
CUBA, VENEZUELA AND UN SECURITY COUNCIL ENLARGEMENT

REF: A. 04 PANAMA 2152

[1](#)B. 04 PANAMA 2176

[1](#)C. PANAMA 1377

[1](#)D. PANAMA 1496

Classified By: Charge Luis Arreaga for reasons 1.4 (b) & (d).

Summary

[1](#)1. (C) On August 22, PolOff met with senior MFA advisor Nils Castro, former Ambassador to Mexico, to discuss GOP's August 20 re-establishment of full diplomatic relations with Cuba and GOP objectives in its petroleum negotiations with Venezuela. Castro, who recently spent two days in Caracas with GOV officials, said Panama had no hidden agenda in normalizing relations with Cuba, and that Fidel Castro still appeared to harbor considerable resentment toward Panama for the August 2004 Moscoso administration release of Luis Posada Carriles (see refuels A and B). He said GOP wants to be prepared for any transition should Fidel Castro become physically unable to govern, which the GOP thinks is likely in the short-term. Nils Castro said GOP and GOV are still not "clicking" on the central issue, petroleum, in Panama's attempt to re-negotiate the Caracas Energy Accord, but that he expected a signed agreement by the first week of September. Castro also suggested that GOP support for the G-4 proposal on UN reform is tied to GOP interest in improving maritime relations with Japan. End Summary.

On Cuba

[1](#)2. (U) On August 20, a picture appeared of Panamanian President Martin Torrijos, sandwiched between a beaming Venezuelan President Hugo Chavez and an austere Cuban President Fidel Castro as he presided over the signing (by GOP Vice-Foreign Minister Ricardo Duran and Cuban Foreign Minister Felipe Perez Roque) of diplomatic notes exchanged in an "act of reconciliation" to re-establish full diplomatic relations between Cuba and Panama. The signing took place on the fringes of a graduation of more than 40 poor and indigenous Panamanian medical students in a group of several hundred graduating from the medical university. Panama's delegation also included Health Minister Dr. Camilo Alleyne, Minister of Government and Justice (MOGJ) Hector Aleman and Director General of the Institutional Protection Service (SPI) Lionel Solis. Representatives from CARICOM states were also present at the graduation and signing ceremonies.

[1](#)3. (C) According to Nils Castro, who was part of the advance team to Havana, the Cuban dip note contained accusatory language toward GOP regarding the release of Posada Carriles. Panamanian newspaper La Prensa reported that both parties affirmed sovereignty and non-interference in internal state affairs. Nils Castro downplayed the failure of GOP First Vice-President and Foreign Minister Samuel Lewis Navarro to attend the signing, saying he was still in travel status after completing his trip to Japan. Nils Castro also took pains to downplay the published photo that shows Chavez, Torrijos, and Fidel Castro looking on as Duran and Perez sign the document. Commenting that Chavez "had nothing to do with the agreement," Nils Castro reported that the GOP delegation had not expected Chavez to appear in the photo, but that Fidel Castro pulled Chavez into the center of the action while other CARICOM representatives looked on from the sidelines. Castro said Fidel Castro flaunted his close relationship with Chavez to the GOP delegation throughout the event. SPI Director Lionel Solis related one telling anecdote of the day's events, describing how the GOP delegation had not been invited to the celebratory lunch set to take place before the signing of the dip. notes. When GOP protocol discovered they had arranged for both the lunch and the signing to take place in the same building, they invited the GOP delegation but sat them at the far end of the banquet table from Fidel Castro and Chavez. Fidel "was not going to celebrate our relationship" with the act of reconciliation, said Nils Castro.

[1](#)4. (C) Nils Castro stated several times that GOP simply wanted to normalize relations with Cuba, and implied as many

times that it had no implications for the GOP relationship with the U.S. He also complained about what he called U.S. neglect of Latin America in recent years. Castro also said that Panama could act as a mediator between the U.S. and Cuba. He explained that the GOP wanted to move forward with normal relations with Cuba (and Venezuela) for two reasons. First, stability in external relations would assist the Torrijos administration in maintaining domestic support and stability as the controversial social security reform talks remain unresolved and chip away at Torrijos's popularity (see reftel C). Second, the GOP wants to be well-prepared and well-placed for what it sees as the inevitable transition from power of Fidel Castro. Nils Castro observed that Fidel Castro "has problems pronouncing words," and that Fidel Castro "looks older than he is."

15. (C) Nils Castro said ambassadorial announcements would be forthcoming soon. Most likely the current consul general of each country's diplomatic mission would be promoted to ambassador. (Comment: Nils Castro's comment about the promotion to ambassador of the respective consuls general supports what MFA senior advisor and Panama's first Ambassador to Russia Flavio Mendez told PolOff in mid-July. Mendez said the GOP would most likely promote career diplomat and former Ambassador to Trinidad and Tobago Minister Counselor Rolando Barrow from CG to Ambassador to Cuba. Nils Castro and Manuel Solis Palma, Ambassador to Venezuela under Noriega and former Education Minister are also possible GOP choices. Cuba's CG in Panama is Carlos Eloy Garcia Trapaga. At a September 1 representational event in Panama City, Cuban Commercial Consul Ramon E. Perez Soria told PolOff that GOC planned to name CG Garcia Ambassador to Panama. He also said GOP would not name their CG in Cuba Ambassador, but bring in someone new. On September 2, GOP released a press statement saying they had asked GOC for agreement of their Ambassador-designate and would release the name of the Ambassador-designate once Cuba gave agreement to the GOP candidate. End Comment.) Nils Castro said Panama would like a "young, energetic" ambassador to represent Panama in Cuba due both to the current nature of the relationship and what GOP sees as an inevitable transition in the relative short-term.

16. (C) Panamanian press coverage of the weekend in Havana was positive. La Prensa quoted opposition party Solidaridad leader and former Foreign Minister Jose Raul Mulino expressing support for Torrijos's step and calling re-establishment of relations "positive." Nils Castro said that the Panamanian public generally supports normalized relations with Cuba and does not favor strained relations with countries like Cuba and Venezuela.

17. (C) (Note: Embassy Defense Attache Office reported similar language from Minister of Government and Justice Hector Aleman in discussing the weekend's events, suggesting that GOP coordinated the message Embassy would receive from discussions with GOP officials. End Note.)

On Venezuela

18. (C) Nils Castro called GOP's relationship with Venezuela "more important" than its relationship with Cuba. Currently the GOP and GOV are re-negotiating the 2000 Caracas Energy Accord which promised help with financing petroleum purchases but which lacks implementing language. Castro led the GOP negotiating team on the August 4-5 trip. Castro made no bones about GOP's bottom line with Venezuela: petroleum prices. In the negotiations, according to Castro, progress was made on several "social and other" issues tangential to the central point of discussion, petroleum.

19. (C) Castro said GOP had secured a GOV promise that it would not fund Bolivarian Circles in Panama, and that GOP Minister of Government and Justice Aleman had found no evidence to support direct GOV funding for Bolivarian Circles in Panama. (Note: this had been reported to Embassy earlier by Aleman after a July trip to Venezuela. See reftel D. End Note.) The Torrijos administration's efforts to reform social security have been successfully frustrated by an active and vocal labor movement. On the rate of exchange for petroleum, Castro said there was "a lot of talking, but no clicking." He said he still expected GOP and GOV to sign an agreement by the first week of September, but this was not consistent with his position that little progress had been made on petrol. He said an agreement came down to politics and nothing else.

110. (C) GOP's primary concern is skyrocketing domestic fuel prices, especially for buses and trains, according to Castro. The issue of rising public transportation costs is a growing sore spot for the Torrijos administration. On August 25, transportation groups in the western provinces of Chiriqui and Bocas del Toro threatened to strike on September 5, complaining that the GOP's 10-cent-per-gallon subsidy is not sufficient to bear the costs of rising gas prices. In

response, the Cabinet immediately approved an extraordinary session of the National Assembly to issue a 60-day extension of the diesel fuel subsidy and a 30-day extension of the gasoline subsidy. Castro said the GOP hopes to convince GOV to accept an unusual barter arrangement of Panamanian goods like chicken, pork, sugar and rice as partial payment for reduced petroleum rates. He also said this was "only a dream" at this stage in negotiations. Ultimately, Castro explained, Panama wants credit or an extension in years on payment for Venezuelan petroleum.

11. (C) Castro said that Chavez only spoke briefly with Torrijos at the Havana event and appeared to know very little about the petroleum negotiations.

On G-4

12. (C) When presented with the recent GOP decision to side with the G-4 on UN reform, a decision that coincided with First Vice-President and FM Lewis's visit to Japan to discuss tourism, trade and Canal investment, Castro said only that maritime interests with not only Japan but other countries were a significant component in foreign policy considerations.

Comment

13. (C) Domestic stability concerns generated by unrest over fiscal reform, social security reform and oil prices are pushing GOP to mend fences with Cuba and Venezuela. Torrijos, whose Democratic Revolutionary Party controls the National Assembly with an absolute majority, hopes to supplant a perceived lack of domestic leadership on issues ranging from a corrupt Supreme Court to labor strikes that unraveled passage of a social security reform bill with strengthened multilateral engagement. (Note: Panamanian FM Lewis and MOGJ Minister Aleman talked with Charge Luis Arreaga, and SPI Director Lionel Solis talked to Pol Specialist prior to the trip to Havana to explain their position and reassure Embassy that they had no ulterior motive in seeking re-establishment of relations with Cuba. They made it clear they understand USG sensitivity to the "act of reconciliation" with Cuba. In addition, on September 1, FM Lewis approached Pol Specialist and PolOff after the opening of the regular session of Panama's National Assembly. He wanted to be sure the Embassy took note that in President Torrijos's address to the Assembly, Torrijos specifically mentioned the close, positive relationship Panama had with the U.S. and did not mention Cuba or Venezuela. The U.S. was the only country mentioned by President Torrijos in his address. End Note.)

ARREAGA